



# How an Individual Coverage Health Reimbursement Arrangement (HRA) Offer Works

Health Reimbursement Arrangements (HRAs) are account-based health plans offered by employers that reimburse employees for their medical expenses:

- Employees are reimbursed tax-free up to a fixed dollar amount per year.
- Employers may allow unused funds to roll over from year to year.
- Employers can extend coverage to both the employee and the employees' household members.

As of January 1, 2020, employers can offer employees an **individual coverage HRA** instead of offering traditional group health coverage. An individual coverage HRA reimburses employees for medical expenses, including monthly premiums and other out-of-pocket medical expenses like copayments and deductibles.

**Note:** This fact sheet uses the term “individual coverage HRA,” but employers may call it something else. Employees should read the notice they get from their employers carefully to make sure they understand the terms of their coverage, including whether it’s an account-based plan that requires them to also enroll in individual health insurance coverage or Medicare.

To use the individual coverage HRA, an employee (and any household family members, if applicable) must enroll in individual market health insurance that starts no later than the date their individual coverage HRA begins, which will be on the notice they get from their employer or other plan sponsor. Employees can enroll through the Marketplace or elsewhere (like a private plan available outside of the Marketplace), or meet this requirement with coverage through Medicare Part A (Hospital Insurance) and Part B (Medical Insurance), or through a Medicare Advantage Plan. For more information, see “How to enroll in individual market health insurance.” Short-term plans and other limited benefits coverage, like dental or vision-only plans, don’t meet this requirement.

Under traditional employer-sponsored group coverage, employees often contribute their portion of the premium using pre-tax dollars (sometimes called a “cafeteria plan”). A similar arrangement may be used to pay for premiums for individual health insurance not covered by the individual coverage HRA.

However, if an employer allows an employee to pay on a pre-tax basis the portion of the individual health insurance premiums not covered by an individual coverage HRA using a salary reduction arrangement under a cafeteria plan, the employee can’t use it to pay for Marketplace coverage. Instead, they’ll need to purchase coverage off the Marketplace to use their individual coverage HRA and make salary reduction contributions to a cafeteria plan. If an employee’s individual coverage HRA is considered affordable (see “How individual coverage HRAs impact the premium tax credit” on the next page for more information

on affordability), and they want to apply for advance payments of the tax credit (APTC) with Marketplace coverage instead, then they'll need to opt out of their individual coverage HRA and decline to use a salary reduction arrangement to pay for health insurance premiums to qualify.

### How employees find out they have an individual coverage HRA offer

An employer offering an individual coverage HRA must send a notice to its employees. Examples of required information in the notice include:

- If the individual coverage HRA is offered to household members
- The maximum dollar amount available, including if the amount is higher if household members are covered
- The date coverage under the individual coverage HRA is first effective
- The dates the individual coverage HRA plan year begins and ends
- The dates the amounts under the individual coverage HRA will be made available

The notice must explain that employees (and any household members, if applicable) must enroll in individual health insurance coverage or Medicare to be covered by the individual coverage HRA. It must also describe the individual coverage HRA's potential impact on premium tax credit eligibility with Marketplace coverage and include contact information that employees can use if they have questions about how the individual coverage HRA works.

Generally, employers must provide the notice to employees at least **90 days** before the start of the individual coverage HRA plan year. For employees who become eligible mid-plan year or after 90 days before the beginning of the start date, like new employees, the employer must provide the notice no later than the start date.

### How individual coverage HRAs impact the premium tax credit

An individual coverage HRA offer may impact the employee's eligibility for the premium tax credit for coverage through the Marketplace. The only way the employee will qualify for the premium tax credit to help pay for Marketplace coverage is if the employee doesn't accept the individual coverage HRA and the individual coverage HRA isn't considered affordable.

For 2020, an individual coverage HRA is considered affordable for an employee if the monthly premium for the lowest-cost Silver plan for self-only coverage in the employee's area, minus the monthly amount made available to the employee under the individual coverage HRA, is equal to or less than 9.78% of 1/12 of the employee's household income.

Employees can use the worksheet PDF at [HealthCare.gov/downloads/ICHRA-worksheet.pdf](https://www.healthcare.gov/downloads/ICHRA-worksheet.pdf) to help determine if the individual coverage HRA is or isn't considered affordable.

- If an employee's HRA **isn't considered affordable**, the employee must opt out of the HRA to qualify for the premium tax credit for their Marketplace coverage, if otherwise eligible.
- If the HRA is **considered affordable** or the employee accepts the HRA, the employee isn't eligible for the premium tax credit for their Marketplace coverage. If the HRA includes payments to cover the expenses of the employee's household members, the employee cannot get a premium tax credit for Marketplace coverage of the members.

Employees who aren't eligible for the premium tax credit because they're covered by an individual coverage HRA or have an affordable individual coverage HRA offer will need to update their application and change the amount of APTC applied to their monthly premiums to \$0.

## How to enroll in individual market health insurance

If an employee already has individual health insurance coverage, they don't need to change it to meet the HRA's health coverage requirement.

If an employee doesn't already have individual health insurance coverage, they can enroll in coverage through the Marketplace or outside of it, like directly from an insurance company.

**Note:** In most states, people use [HealthCare.gov](https://www.healthcare.gov) to enroll Marketplace coverage, but some states run their own Marketplace. For a list of states with their own Marketplaces, visit [HealthCare.gov/marketplace-in-your-state](https://www.healthcare.gov/marketplace-in-your-state).

If an employee is enrolled in Medicare Part A and Part B or a Medicare Advantage Plan, their enrollment in Medicare will meet the HRA's health coverage requirement. For information on how to enroll in Medicare, visit [Medicare.gov/sign-up-change-plans](https://www.medicare.gov/sign-up-change-plans).

## When to enroll in Marketplace coverage

Employees can enroll in or change individual health insurance coverage for the upcoming calendar plan year, whether through the Marketplace or in the individual health insurance market, during the yearly Open Enrollment Period from November 1 through December 15. Employees (and household members, if applicable) who have an individual coverage HRA that starts January 1, the household should enroll in individual health insurance coverage during this time. Employees (and household members, if applicable) must be enrolled in coverage that starts by the day their individual coverage HRA starts.

- Employees and household members newly offered an individual coverage HRA (like new employees) may qualify for a Special Enrollment Period to enroll in or change individual coverage. Generally, they'll need to enroll in coverage within the 60 days before the date their individual coverage HRA starts so that their coverage starts no later than the date their HRA starts.
- In some cases, an employer might offer different options for when an individual coverage HRA can start for employees who were hired mid-plan year to give them more time to enroll. Employees should contact their employer or check their individual coverage HRA notice to see if this applies to them. If so, they can take up to 60 days after the first day that their individual coverage HRA can start to enroll in coverage, but they should make sure that they enroll in time for their coverage to start by the last day that their individual coverage HRA can begin.
- If they qualify to enroll in Marketplace coverage through an individual coverage HRA or Qualified Small Employer Health Reimbursement Arrangement (QSEHRA) Special Enrollment Period that starts after January 1, 2020, they'll need to call the Marketplace Call Center at 1-800-318-2596 to complete their enrollment. TTY users can call 1-855-889-4325.
  - **Note:** Small employers who don't offer group health coverage to their employees can help employees pay for medical expenses through a QSEHRA.
  - Learn more at [HealthCare.gov/QSEHRA](https://www.healthcare.gov/QSEHRA).

Employees who gain a new dependent, like if they got married, had a baby, or adopted a child during their individual coverage HRA plan year should work with their employer to make sure they enroll in individual health insurance coverage in time to meet their existing individual coverage HRA's requirement, if the individual coverage HRA covers such household members.

Visit [HealthCare.gov/ICHRA](https://www.healthcare.gov/ICHRA) for more information.

You have the right to get Marketplace information in an accessible format, like large print, Braille, or audio. You also have the right to file a complaint if you feel you've been discriminated against. Visit [CMS.gov/about-cms/agency-information/aboutwebsite/cmsnondiscriminationnotice.html](https://www.cms.gov/about-cms/agency-information/aboutwebsite/cmsnondiscriminationnotice.html), or call the Marketplace Call Center at 1-800-318-2596 for more information. TTY users can call 1-855-889-4325.

Paid for by the Department of Health & Human Services.

